

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Southwest Enforcement Team	County
Fiscal Year End 9/30/06	Opinion Date 1/10/07	Date Audit Report Submitted to State 3/29/07	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) James M. Anderson, CPA		Telephone Number (989) 563-2450		
Street Address P.O. Box 255		City Roscommon	State MI	Zip 48653
Authorizing CPA Signature 	Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, CPA, c=US, o=James M. Anderson, P.C., email=jma@m33access.com Date: 2007.03.29 11:16:49 -04'00'	Printed Name James M. Anderson, CPA		License Number 1101017419

SOUTHWEST ENFORCEMENT TEAM
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2006

SOUTHWEST ENFORCEMENT TEAM

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James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

INDEPENDENT AUDITOR'S REPORT

January 10, 2007

Southwest Enforcement Team
P.O. Box 2600
Battle Creek, MI 49016

I have audited the accompanying financial statements of the governmental activities and major fund of the Southwest Enforcement Team as of and for the year ended September 30, 2006 which collectively comprise Southwest Enforcement Team's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of S.W.E.T.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of S.W.E.T. as of September 30, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise S.W.E.T.'s basic financial statements. The supplemental statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the S.W.E.T. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read 'James M. Anderson', is written over a horizontal line.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

MEMBER MACPA and AICPA

SOUTHWEST ENFORCEMENT TEAM
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2006

Using this Annual Report

Our discussion and analysis of S.W.E.T.'s (Southwest Enforcement Team) financial performance provides an overview of the Unit's financial activities for the fiscal year ended September 30, 2006. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the activities of the Unit and present a longer-term view of the Unit's finances.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to S.W.E.T.'s basic financial statements. These statements are comprised on three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Reporting S.W.E.T. as a Whole

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of S.W.E.T.'s finances in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of S.W.E.T.'s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of S.W.E.T. is improving or deteriorating.

The *Statement of Activities* presents information showing how S.W.E.T.'s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts and is used to maintain control over resources that have been segregated for specific activities or objectives. S.W.E.T., like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. S.W.E.T. maintains one governmental fund and one fiduciary fund.

Governmental Fund. All of the unit's basic services are reported in the governmental fund, which focus on how money flows into and out of this fund and the balance left at year-end that is available for spending. This fund is reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of S.W.E.T.'s general governmental operations and the basic services it provides.

SOUTHWEST ENFORCEMENT TEAM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2006

Fiduciary Fund. The Fiduciary fund is used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the unit's own programs. S.W.E.T. uses a fiduciary fund to account for non-adjudicated funds held.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The statements mentioned above, report the Unit's net assets and how they have changed. The reader can think of the Unit's net assets (the difference between assets and liabilities) as one way to measure the Unit's financial health or financial position. Over time, increases or decreases in the Unit's net assets are one indicator of whether its financial health is improving or deteriorating, respectively.

Financial Analysis of S.W.E.T. as a Whole

S.W.E.T.'s net assets increased approximately 11%, or \$29,512, from \$269,876 to \$299,386 for the year ended September 30, 2006. The net assets and change in net assets are summarized below.

Net Assets

The overall financial position increased in 2006. The unrestricted net assets increased by \$36,332. Forfeiture revenues were down by \$58,525 with operator expenses down by \$17,289.

The net assets as of the year ended September 30, 2006, are as follows:

	<u>2005</u>	<u>2006</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$ 210,719	\$ 247,668	\$ 36,949	17.53
Capital Assets	<u>107,902</u>	<u>101,082</u>	<u>(6,820)</u>	<u>(6.32)</u>
Total Assets	<u>318,621</u>	<u>348,750</u>	<u>30,129</u>	<u>9.46</u>
Current Liabilities	<u>48,745</u>	<u>49,362</u>	<u>617</u>	<u>1.26</u>
Total Liabilities	<u>48,745</u>	<u>49,362</u>	<u>617</u>	<u>1.26</u>
Net Assets				
Investment in Capital Assets	107,902	101,082	(6,820)	(6.32)
Unrestricted	<u>161,974</u>	<u>198,306</u>	<u>36,332</u>	<u>22.43</u>
Total Net Assets	<u>\$ 269,876</u>	<u>\$ 299,388</u>	<u>\$ 29,512</u>	<u>10.93</u>

SOUTHWEST ENFORCEMENT TEAM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2006

Changes in Net Assets

	<u>2005</u>	<u>2006</u>	<u>Variance</u>	<u>%</u>
General Revenues:				
Forfeitures and restitution	\$ 437,701	\$ 379,176	\$ (58,525)	(13.37)
Rent	8,600	8,900	300	3.49
Interest	6,209	13,020	6,811	109.70
Other	<u>14,240</u>	<u>18,181</u>	<u>3,941</u>	<u>27.67</u>
Total Revenue	<u>466,750</u>	<u>419,277</u>	<u>(47,473)</u>	<u>(10.17)</u>
Operating Expense				
Wages and fringes	127,700	134,730	7,030	5.50
Grant matching	64,596	47,877	(16,719)	(25.88)
Investigative expenditures	20,388	40,085	19,697	96.61
Other	<u>194,370</u>	<u>167,073</u>	<u>(27,297)</u>	<u>(14.04)</u>
Total Operating Expense	<u>407,054</u>	<u>389,765</u>	<u>(17,289)</u>	<u>(4.25)</u>
Income (Loss)	59,696	29,512	(30,184)	(50.56)
Beginning Net Assets	<u>210,180</u>	<u>269,876</u>	<u>59,696</u>	<u>28.40</u>
Ending Net Assets	<u>\$ 269,876</u>	<u>\$ 299,388</u>	<u>\$ 29,512</u>	<u>10.94</u>

Capital Asset and Debt Administration

At September 30, 2006, S.W.E.T. had \$166,349 invested in capital assets before depreciation as follows:

	<u>2005</u>	<u>2006</u>	<u>Total Percentage Change 2005-2006</u>
Capital Assets Not Being Depreciated Land	\$ -0-	\$ -0-	0.00
Subtotal	<u>-0-</u>	<u>-0-</u>	<u>0.00</u>
Capital Assets Being Depreciated			
Equipment	<u>162,172</u>	<u>166,349</u>	<u>2.57</u>
Subtotal	<u>162,172</u>	<u>166,349</u>	<u>2.57</u>
Total Capital Assets	<u>162,172</u>	<u>166,349</u>	<u>2.57</u>
Total Accumulated Depreciation	<u>54,270</u>	<u>65,267</u>	<u>20.26</u>
Total Net Capital Assets	<u>\$ 107,902</u>	<u>\$ 101,082</u>	<u>(6.32)</u>

Please refer to the notes of the financial statements for more detailed information.

SOUTHWEST ENFORCEMENT TEAM
MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)
SEPTEMBER 30, 2006

Economic Factors and Next Year's Budget

The Southwest Enforcement Team has \$167,771.06 in the operating account and approximately \$174,021.17 in the non-adjudicated account as of March 30, 2007. Over the last three years previous to mid 2005, the amount of money being spent, amount of money seized/forfeited and the amount of money S.W.E.T. places in the operating account had been declining steadily. The amount of forfeitures taken in is currently keeping pace with expenses on a consistent basis. Over the last three months the totals are as follows:

	<u>January 2007</u>	<u>February 2007</u>	<u>March 2007</u>
Income:	\$ 43,370.86	\$ 10,364.04	\$ 23,525.24
Expenses:	\$ 9,868.62	\$ 15,139.65	\$ 26,875.53

In the previous years the difficulty in maintaining adequate forfeiture income was substantially due to the proliferation of Methamphetamine labs which not only contaminate the people but also the land, homes and personal property. This contamination typically makes forfeiture proceedings cost prohibitive due to the potential financial liability associated with required decontamination. Fortunately in the last fifteen months, the number of Methamphetamine labs having to be dealt with by the S.W.E.T. teams have been slowly decreasing, allowing the teams time to work the more traditional types of narcotics investigations.

Over the last year the team has worked extremely hard to reduce expenses, both through investigative costs as well as utilities and vehicles. The team has maintained the bare minimum number of vehicles necessary to conduct the investigations and frequently has to make temporary use of a forfeited vehicle during times that one of regular fleet is being serviced. This combined with a spending freeze on new equipment purchases has helped to slowly begin rebuilding the team's cash reserve.

In August 2005 the team was allowed to fill all of its vacant D/Lt. Positions which has added a significant degree of leadership and guidance that had been missing for the two previous years. This is already showing a positive impact on the quantity and quality of investigations being conducted by the team.

Contacting the Team's Management

This financial report is intended to provide our citizens with a general overview of the team's finances and to show the teams's accountability for the money it receives. If you have any questions about this report, contact the Commander Staff of the Southwest Enforcement Team.

SOUTHWEST ENFORCEMENT TEAM
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

ASSETS

Cash and equivalents	\$ 241,926
Prepaid Expenses	934
Due from other governmental units	4,808
Capital Assets - Net	<u>101,082</u>
Total Assets	<u>348,750</u>

LIABILITIES

Liabilities	
Accounts payable	<u>49,362</u>
Total Liabilities	<u>49,362</u>

NET ASSETS

Investment in Capital Assets	101,082
Unrestricted	<u>198,306</u>
Net Assets	<u><u>\$ 299,388</u></u>

The accompanying notes are an integral part of these statements

SOUTHWEST ENFORCEMENT TEAM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Program Expenses	
Wages	\$ 134,730
Investigative expenditures	40,085
Forfeiture expenditures	1,653
Grant match expenditures	47,877
Administrative	854
Utilities	12,994
Communications	14,600
Contract Services	2,985
Repairs & maintenance	1,426
Rent	12,220
Team supplies	10,119
Vehicles	94,765
Training	4,460
Depreciation Expense	<u>10,997</u>
Total Program Expenses	<u>389,765</u>
General Revenues	
Forfeitures and restitution	379,176
Rent	8,900
Interest	13,020
Other	<u>18,181</u>
Total General Revenues	<u>419,277</u>
Change in Net Assets	29,512
Net Assets	
Beginning of year	<u>269,876</u>
End of year	<u><u>\$ 299,388</u></u>

The accompanying notes are an integral part of these statements.

SOUTHWEST ENFORCEMENT TEAM
BALANCE SHEET
SEPTEMBER 30, 2006

ASSETS

Cash demand and investments	\$ 241,926
Prepaid expenses	934
Due from other governmental units	<u>4,808</u>
Total Assets	<u>\$ 247,668</u>

LIABILITIES AND FUND EQUITY

Liabilities	
Accounts payable	<u>\$ 49,362</u>
Total Liabilities	<u>49,362</u>

Fund Equity

Fund balance	<u>198,306</u>
Total Fund Equity	<u>198,306</u>

TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 247,668</u>
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The accompanying notes are an integral part of these statements

SOUTHWEST ENFORCEMENT TEAM
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO
THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED
SEPTEMBER 30, 2006

Total governmental fund balance	\$ 198,306
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Amounts reported for governmental activities in
the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>101,082</u>
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Net assets of governmental activities	<u><u>\$ 299,388</u></u>
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The accompanying notes are an integral part of these statements.

SOUTHWEST ENFORCEMENT TEAM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2006

REVENUES	
Forfeitures and restitution	\$ 379,176
Rent	8,900
Interest	13,020
Other	<u>18,181</u>
Total Revenues	<u>419,277</u>
EXPENDITURES	
Wages	134,730
Investigative expenditures	40,085
Forfeiture expenditures	1,653
Grant match expenditures	47,877
Administrative	854
Utilities	12,994
Communications	14,600
Contract services	2,985
Repairs & maintenance	1,426
Rent	12,220
Team supplies	10,119
Vehicles	94,765
Training	4,460
Capital outlay	<u>4,177</u>
Total Expenditures	<u>382,945</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	36,332
FUND BALANCE, beginning of year	<u>161,974</u>
FUND BALANCE, end of year	<u><u>\$ 198,306</u></u>

The accompanying notes are an integral part of these statements.

SOUTHWEST ENFORCEMENT TEAM
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Net Change in fund balance - total governmental funds \$ 36,332

Amounts reported for governmental activities
in the statement are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the statement of activities.

(6,820)

Change in net assets of governmental activities.

\$ 29,512

The accompanying notes are an integral part of these financial statements.

SOUTHWEST ENFORCEMENT TEAM
STATEMENT OF FIDUCIARY FUND NET ASSETS
NON-ADJUDICATED FIDUCIARY FUND
SEPTEMBER 30, 2006

ASSETS	
Cash	\$ <u>141,663</u>
Total Assets	<u>141,663</u>
LIABILITIES	
Seized assets pending judgement	<u>141,663</u>
Total Liabilities	<u>141,663</u>
NET ASSETS	
Net Assets Held in Trust for Other Governments	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTHWEST ENFORCEMENT TEAM
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
NON-ADJUDICATED FIDUCIARY FUND
SEPTEMBER 30, 2006

ADDITIONS	
Seizures	<u>\$ 158,523</u>
Total Additions	<u>158,523</u>
DEDUCTIONS	
Payments to S.W.E.T.	64,916
Payments pending judgement	<u>93,607</u>
Total Deductions	<u>158,523</u>
Change in Net Assets	<u>-0-</u>
Net Assets Held in Trust for Other Governments - October 1	<u>-0-</u>
Net Assets Held in Trust for Other Governments - September 31	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTHWEST ENFORCEMENT TEAM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Southwest Metropolitan Enforcement Team conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

(1) Defining the Reporting Entity

The criteria established for determining the reporting entity include oversight responsibility, scope of public service, and special financing relationships. Only the activities of S.W.E.T. are included in these financial statements. S.W.E.T. is operated under an interagency agreement which includes the counties of Calhoun, Kalamazoo, Cass, Van Buren, and St. Joseph; the cities of Portage, Battle Creek, Kalamazoo, Springfield, Southaven; Kalamazoo Township; and the Michigan State Police. The purpose of this alliance is to establish a cooperative force combining their investigative services, manpower and/or resources for enforcement of Michigan controlled substances laws and related criminal activity.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all S.W.E.T.'s activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

Statement of Net Assets - The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities) and the total of its discretely presented component parts. S.W.E.T. reports capital assets in the government-wide statement of net assets and reports depreciation expense-the cost of "using up" capital assets-in the statement of activities. The net assets of S.W.E.T. are broken down into three categories-1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The statement of activities reports expenses and revenues in a format that focuses on the cost of each of S.W.E.T.'s functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, S.W.E.T. has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

SOUTHWEST ENFORCEMENT TEAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED SERVICES

Personnel for the operations of S.W.E.T. are provided by the law enforcement agencies whose officers are working with S.W.E.T. No expense or revenue has been recorded for these donated services in the books and records of S.W.E.T.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information on the S.W.E.T. as a whole, excluding fiduciary activities for non-adjudicated funds.

The Statement of Net assets presents S.W.E.T.'s assets and liabilities with the difference being reported as either invested in capital assets, net of related debt or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by general revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS

Separate financial statements are provided for the operating fund (governmental fund) and the fiduciary fund. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

GENERAL FUND

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from forfeitures and restitution, interest on savings accounts and miscellaneous income.

FIDUCIARY FUNDS

These funds are used to account for assets held in trust or as an agent for others. Non-adjudicated activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No.34.

SOUTHWEST ENFORCEMENT TEAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

MEASUREMENT FOCUS/BASIS OF ACCOUNTING - GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year of which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING - FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the unit considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CAPITAL ASSETS AND DEPRECIATION

The S.W.E.T.'s property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The unit generally capitalizes assets with historical cost of normal maintenance more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Computers and peripherals	1-3 years
Office furniture	5-20 years
Vehicles	4-7 years
Buildings and improvements	25-40 years
Land improvements	10-20 years
Machinery and equipment	5-10 years

Land and construction in progress are not depreciated.

SOUTHWEST ENFORCEMENT TEAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEPOSITS AND INVESTMENTS

The S.W.E.T.'s cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from date of acquisition.

State statutes authorize a governmental unit other than S.W.E.T. to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The governmental unit is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

NOTE B - CASH AND INVESTMENTS

S.W.E.T.'s adjudicated and nonadjudicated checking accounts are maintained by the Township of Kalamazoo. These funds are received and disbursed for S.W.E.T.'s general operations. Deposits made by the Township with financial institutions consists of interest and noninterest bearing checking accounts, savings accounts, and certificates of deposit. The Township maintains a pooled general checking account and a pooled payroll checking account which are shared by various funds and component units. The amount held by the Township on September 30, 2006 was \$383,589. The amount of FDIC insurance coverage related to S.W.E.T.'s funds are unknown.

NOTE C - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended September 30, 2006, S.W.E.T. incurred expenditures in excess of appropriations as follows:

<u>Fund</u>	<u>Amended Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General fund:			
Forfeiture expenditures	\$ 1,500	\$ 1,653	\$ (153)
Rent	12,084	12,220	(136)
Team supplies	9,500	10,119	(619)
Training	1,000	4,460	(3,460)

SOUTHWEST ENFORCEMENT TEAM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

NOTE D - CAPITAL ASSETS

The following is a summary of changes in the Capital Assets:

	<u>Balance 10/01/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/06</u>
Capital Assets Being				
Depreciated:				
Buildings Improvements	\$ 107,460	\$ -0-	\$ -0-	\$ 107,460
Equipment	<u>54,712</u>	<u>4,177</u>	<u>-0-</u>	<u>58,889</u>
Total	<u>162,172</u>	<u>4,177</u>	<u>-0-</u>	<u>166,349</u>
Less Accumulated Depreciation:				
Buildings Improvements	16,106	4,299	-0-	20,405
Equipment	<u>38,164</u>	<u>6,698</u>	<u>-0-</u>	<u>44,862</u>
Total	<u>54,270</u>	<u>10,997</u>	<u>-0-</u>	<u>65,267</u>
Total Net Capital Assets	<u><u>\$ 107,902</u></u>	<u><u>\$ (6,820)</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 101,082</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

SOUTHWEST ENFORCEMENT TEAM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable Unfavorable</u>
REVENUES				
Forfeitures and restitution	\$ 483,292	\$ 483,292	\$ 379,176	\$ (104,116)
Rent	-0-	-0-	8,900	8,900
Interest	-0-	-0-	13,020	13,020
Other	-0-	-0-	18,181	18,181
Total Revenues	<u>483,292</u>	<u>483,292</u>	<u>419,277</u>	<u>(64,015)</u>
EXPENSES				
Wages	176,028	176,028	134,730	41,298
Investigative expenditures	45,000	45,000	40,085	4,915
Forfeiture expenditures	1,500	1,500	1,653	(153)
Grant match expenditures	60,380	60,380	47,877	12,503
Administrative	3,000	3,000	854	2,146
Utilities	19,000	19,000	12,994	6,006
Communications	19,800	19,800	14,600	5,200
Contract services	3,000	3,000	2,985	15
Repairs & maintenance	3,000	3,000	1,426	1,574
Rent	12,084	12,084	12,220	(136)
Team supplies	9,500	9,500	10,119	(619)
Vehicles	125,000	125,000	94,765	30,235
Training	1,000	1,000	4,460	(3,460)
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>4,177</u>	<u>823</u>
Total Expenses	<u>483,292</u>	<u>483,292</u>	<u>382,945</u>	<u>100,347</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	-0-	-0-	36,332	36,332
FUND BALANCE, beginning of year	<u>161,974</u>	<u>161,974</u>	<u>161,974</u>	<u>-0-</u>
FUND BALANCE, end of year	<u>\$ 161,974</u>	<u>\$ 161,974</u>	<u>\$ 198,306</u>	<u>\$ 36,332</u>